



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 7, 2004

### **S. 2231**

### **Welfare Reform Extension Act of 2004**

*As cleared by the Congress on March 30, 2004, and signed by the President  
on March 31, 2004*

#### **SUMMARY**

S. 2231, enacted as Public Law 108-210, extends several provisions of law through June 30, 2004, including the Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs, and eligibility for transitional medical assistance (TMA) under Medicaid.

Funding for the TANF and child care entitlement programs for the 3-month period will total \$3.7 billion. However, CBO already assumes that level of funding in its baseline for those programs, as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act.) Therefore, the extension of those programs—with the exception of TANF supplemental grants—has no cost relative to the baseline.

CBO estimates that Public Law 108-210 will increase direct spending, relative to the baseline, by \$58 million in 2004, by \$209 million over the 2004-2009 period, and by \$210 million over the 2004-2014 period.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of Public Law 108-210, relative to the baseline, is shown in the following table. The changes in direct spending, which total an estimated \$210 million over the 2004-2014 period, fall within budget functions 550 (health) and 600 (income security).

By Fiscal Year, in Millions of Dollars													
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2004-2009	2004-2014

**CHANGES IN DIRECT SPENDING**

<b>TANF Supplemental Grant</b>													
Estimated Budget Authority	64	0	0	0	0	0	0	0	0	0	0	64	64
Estimated Outlays	32	13	7	6	6	0	0	0	0	0	0	64	64
<b>TANF Research</b>													
Estimated Budget Authority	4	0	0	0	0	0	0	0	0	0	0	4	4
Estimated Outlays	*	2	2	0	0	0	0	0	0	0	0	4	4
<b>Child Welfare Research</b>													
Estimated Budget Authority	2	0	0	0	0	0	0	0	0	0	0	2	2
Estimated Outlays	*	1	1	0	0	0	0	0	0	0	0	2	2
<b>Abstinence Education</b>													
Estimated Budget Authority	13	0	0	0	0	0	0	0	0	0	0	13	13
Estimated Outlays	3	5	1	1	1	0	0	0	0	0	0	11	11
<b>Transitional Medical Assistance</b>													
<b>Medicaid</b>													
Estimated Budget Authority	24	102	5	*	*	*	*	*	*	*	*	131	130
Estimated Outlays	24	102	5	*	*	*	*	*	*	*	*	131	130
<b>SCHIP</b>													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-1	-3	*	*	*	*	*	*	*	*	*	-3	-2
<b>Total Changes</b>													
Estimated Budget Authority	107	102	5	*	*	*	*	*	*	*	*	214	213
Estimated Outlays	58	120	17	7	7	*	*	*	*	*	*	209	210

**Memorandum: Changes in Direct Spending Already Assumed in CBO's Baseline**

<b>TANF</b>													
Estimated Budget Authority	3,318	0	0	0	0	0	0	0	0	0	0	3,318	3,318
Estimated Outlays	2,488	564	265	0	0	0	0	0	0	0	0	3,318	3,318
<b>Child Care</b>													
Estimated Budget Authority	398	0	0	0	0	0	0	0	0	0	0	398	398
Estimated Outlays	298	84	16	0	0	0	0	0	0	0	0	398	398

Notes: Components may not sum to totals because of rounding.

TANF = Temporary Assistance for Needy Families; SCHIP = State Children's Health Insurance Program.

\* = between -\$500,000 and \$500,000.

## **BASIS OF ESTIMATE**

### **TANF and Child Care Programs**

Public Law 108-210 extends the TANF and child care entitlement programs through June 30, 2004. Those programs were scheduled to expire on March 31, 2004. The extension provides funding at the 2003 level—totaling \$3.3 billion for TANF and \$400 million for child care under the procedures the Office of Management and Budget uses for allocating funds for these programs. The extension has no cost relative to CBO's baseline because it already assumes annual funding for those programs at the 2003 levels in accordance with the rules set forth in the Deficit Control Act.

The Welfare Reform Extension Act also funds TANF supplemental grants at their 2003 level through June 30, 2004. The additional funding will total \$64 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Previous law specified that supplemental grants should not be assumed to continue in baseline projections after March 31, 2004, overriding the continuation rules in the Deficit Control Act. Because many states have unspent balances from prior-year TANF grants, many states will not spend the new funds quickly. CBO estimates that states will spend \$32 million in 2004 and \$64 million over the 2004-2008 period.

In addition, the act extends funding for two research grants totaling \$6 million through June 30, 2004. CBO estimates the extension will increase spending by less than \$500,000 in 2004 and \$6 million over the 2004-2006 period.

### **Abstinence Education**

Public Law 108-210 appropriates \$12.5 million for the abstinence education program in 2004. Based on the program's past spending patterns, CBO estimates that the law will increase outlays by \$3 million in 2004 and by \$11 million over the 2004-2008 period.

### **Transitional Medical Assistance**

The act also extends through June 30, 2004, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement had been set to expire on March 31, 2004.

CBO estimates that the extension of TMA will increase Medicaid spending by \$24 million in 2004 and \$130 million over the 2004-2014 period. The budgetary effects will continue beyond June 30, 2004, because families who qualify for TMA will be entitled to up to 12 months of additional eligibility, even if their eligibility runs beyond that date. Some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible into 2006.

The extension also will decrease spending in the State Children's Health Insurance Program (SCHIP) by \$2 million over the 2004-2014 period. Without TMA, CBO anticipates that some families leaving welfare between March 31, 2004, and June 30, 2004, would have had incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would have enrolled in SCHIP instead. The extension of TMA will make those children eligible for Medicaid and (because children who are eligible for Medicaid cannot enroll in SCHIP) lead to savings in SCHIP. Since states generally have three years to spend their SCHIP allotments, those initial savings will free up funds that can be spent on benefits in later years.

**ESTIMATE PREPARED BY:**

TANF—Sheila Dacey  
Abstinence Education—Margaret Nowak  
Medicaid—Eric Rollins and Jeanne De Sa  
Child Care—Donna Wong

**ESTIMATE APPROVED BY:**

Robert A. Sunshine  
Assistant Director for Budget Analysis